

Message Text

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FOR AGRICULTURE

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TAGS: ECON PO

SUBJECT: GOP ANNOUNCES NEW MARKET BASKET PRICES

BEGIN UNCLASSIFIED.

1. IN AN APRIL 7 ANNOUNCEMENT, IN WHICH HE MENTIONED POSSIBLE FOOD RATIONING IN 1979 SHOULD NATIONAL PRODUCTION NOT IMPROVE SUBSTANTIALLY, MINISTER OF COMMERCE AND TOURISM BASILIO HORTA RELEASED 1978 MARKET BASKET PRICES FOR BASIC FOOD PRODUCTS. PERCENTAGE INCREASES OVER 1977 PRICES RANGE FROM 10 TO 38. GOP 1978 SUBSIDIES WILL AMOUNT TO APPROXIMATELY 8.7 BILLION ESCUDOS, INCLUDING 1.6 BILLION ESCUDOS FOR WHEAT AND WHEAT PRODUCTS (BREAD, PASTA, BISCUITS, AND BAKING FLOUR), 1.8 BILLION ESCUDOS FOR YELLOW CORN AND SORGHUM (FOR ANIMAL FEED), AND 1.9 BILLION ESCUDOS FOR LIQUID MILK. THE 8.7 BILLION ESCUDO TOTAL, WHILE SUBSTANTIAL, IS 23 PERCENT LOWER THAN THE 1977 GOVERNMENT SUBSIDY OF 11.3 BILLION ESCUDOS. GOP REMOVED OLIVE OIL, FROZEN BEEF AND CAROLINA-TYPE RICE FROM THE MARKET BASKET AND ADDED CHICKEN, EGGS, CANNED AND MORTADELA-TYPE SAUSAGE, AND PORK MEAT.

2. A REPRESENTATIVE SAMPLE OF MARKET BASKET PRICES

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FOLLOWS:

PRODUCT	SIZE KG.	PRICE	PERCENT
(UNLESS OTHER- 1977 1978 INCR.			
WISE NOTED)			

BREAD(SMALL)	PER UNIT	00\$80	00.90	13
PASTA		14\$40	15\$80/	

	15\$10	16.60	10	
BISCUITS	37.20	47.60	28	
WHEAT FLOUR	10\$30	13\$40/		
	10.90	13\$80	27	
OIL (SOYBEAN)	36\$10	46\$00	28	
(SUNFLOWER)	40.00	46\$00	15	
COOKING MARGARINE	1000 GRS	39\$50	52\$00	32
TABLE MARGARINE	250 GRS	12\$80	16\$90	32
MILK (REGULAR)	6\$00	7\$50	25	
(PASTEURIZED)	7\$00	8\$50	21	
(POWDERED)	84\$00	109\$00	30	
CHEESE (FLAMENGO)	135\$00	162\$00	20	
RICE (SUPERIOR LARGE)	13\$50	17\$00	26	
EGGS	27\$70/	34\$60/		
	36\$70	47\$10	25-29	
CHICKEN	53\$30	70\$00	31	
SAUSAGE (8 PIECES	20\$50	23\$50	15	
(MORTADELA)	-	97\$40	-	
FROZEN FISH	30\$00	40\$00/		
	50\$00	66\$00	30-38	
SUGAR (GRANULATED)	19\$50	22\$50	15	
(REFINED)	18\$50	21\$00	14	
PORK MEAT	-	TO BE DETERMINED	-	

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3. COMMENT: NEW MARKET BASKET PRICES REFLECT CONSCIOUS GOP EFFORT TO REDUCE BUDGETARY SUBSIDIES AND TO RELY MORE HEAVILY ON MARKET MECHANISMS. GOP HAS ATTEMPTED TO CREATE FAVORABLE PUBLIC IMPRESSION, AND THEREBY REINFORCE ITS APPROVED LIMIT OF 20 PERCENT FOR MAXIMUM WAGE INCREASES, BY CLAIMING THAT AVERAGE PRICE INCREASE APPROXIMATES 20.6 PERCENT. THIS AVERAGE IS, HOWEVER, QUITE ILLUSORY. GOP CAN MAKE THIS CLAIM ONLY BECAUSE IT HAS EXCLUDED FROM MARKET BASKET SEVERAL ITEMS WITH SHARP UPWARD PRICE TENDENCIES (E.G., OLIVE OIL AND BEEF) AND INCLUDED ITEMS EXPERIENCING SUBSTANTIALLY LESS UPWARD PRICE PRESSURE (E.G., PORK AND EGGS). IN ADDITION TO REDUCING TOTAL LEVEL OF SUBSIDIES, IN BOTH NOMINAL AND REAL TERMS, GOP WILL USE 1978 SUBSIDIES TO STIMULATE DOMESTIC PRODUCTION. THIS TREND IS MOST EVIDENT FOR MILK. EFFICIENT MILK PRODUCERS ALREADY ENJOY AN ACCEPTABLE LEVEL OF PROFIT. THE PROPOSED SUBSIDIES SHOULD GIVE THEM SUBSTANTIALLY HIGHER PROFITS AND THUS ENCOURAGE THEM TO EXPAND THEIR INVESTMENTS AND PRODUCTION.

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